

March 02, 1995
**Cable, U.S. Embassy Bucharest to the Secretary of State,
'EUR Assistant Secretary A/S Holbrooke's Meeting with
President Iliescu'**

Citation:

"Cable, U.S. Embassy Bucharest to the Secretary of State, 'EUR Assistant Secretary A/S Holbrooke's Meeting with President Iliescu'," March 02, 1995, History and Public Policy Program Digital Archive, "Declassified Documents Concerning NATO Expansion," Mandatory Declassification Review Case Number 2015-0771-M, William J. Clinton Presidential Library & Museum, originally accessed at <https://clinton.presidentiallibraries.us/items/show/100538>.
<https://digitalarchive.wilsoncenter.org/document/209780>

Summary:

Richard Holbrooke and Romanian President Ion Iliescu discuss US-Romania relations and the possibilities for NATO enlargement.

Credits:

This document was made possible with support from Carnegie Corporation.

Original Language:

English

Contents:

- Scan of Original Document

Cable

PREC: IMMEDIATE
 CLASS: ~~CONFIDENTIAL~~
 LINE1: OAACZYUW RUEHBMA2218 0611426-CCCC--RHEHAAX.
 LINE2: ZNY CCCCC ZZH
 LINE3: O 021426Z MAR 95
 LINE4: FM AMEMBASSY BUCHAREST
 OSRI: RUEHBM
 DTG: 021426Z MAR 95
 ORIG: AMEMBASSY BUCHAREST
 TO: RUEHC/SECSTATE WASHDC IMMEDIATE 4418
 INFO: RUEHZL/EUROPEAN POLITICAL COLLECTIVE
 SUBJ: EUR ASSISTANT SECRETARY A/S HOLBROOKE'S
 MEETING WITH PRESIDENT ILIESCU

DECLASSIFIED
 E.O. 13526, Sec. 3.5 (b)
 White House Guidelines, September 11, 2006
 By RL NARA, Date 5/26/2019
 215-5771-11 (1.14)

TEXT:

~~CONFIDENTIAL~~ SECTION 01 OF 05 BUCHAREST 002218

E.O. 12356: DECL: OADR
 TAGS: PGOV, PREL, ECON, EINV, PHUM, NATO, HU, RO
 SUBJECT: EUR ASSISTANT SECRETARY A/S HOLBROOKE'S
 MEETING WITH PRESIDENT ILIESCU

REF: BUCHAREST 2010

1. ~~CONFIDENTIAL~~ -- ENTIRE TEXT.
2. EUR ASSISTANT SECRETARY RICHARD HOLBROOKE MET FOR ABOUT AN HOUR WITH PRESIDENT ION ILIESCU AT COTROCENI PALACE ON FEBRUARY 23. HE EXPLAINED THAT THE U.S. GAVE HIGHEST IMPORTANCE TO ITS RELATIONS WITH CENTRAL EUROPE. FOR THE LONG TERM, WE WERE SEEKING A EUROPE WHOSE INSTITUTIONS COVERED THE SAME TERRITORY AS THE EUROPE OF THE MAP, ALTHOUGH THE TIMETABLE WOULD VARY FROM INSTITUTION TO INSTITUTION.
3. WHEN A/S HOLBROOKE NOTED THAT THERE REMAINED SOME MISGIVINGS IN WASHINGTON WHICH COULD HAMPER THE ADMINISTRATION'S PLANS TO EXTEND MULTI-YEAR MFN TO ROMANIA, ILIESCU REACTED DEFENSIVELY AND SAID THAT THE U.S. DISCRIMINATED AGAINST HIS COUNTRY, A CHARGE WHICH A/S HOLBROOKE DENIED.
4. MOST OF THE REST OF THE MEETING WAS SPENT ON QUESTIONS RELATING TO NATO ENLARGEMENT, IN WHICH ROMANIA HAS A STRONG INTEREST, AND RELATIONS WITH HUNGARY AND THE SITUATION OF ROMANIA'S ETHNIC HUNGARIAN MINORITY. IT WAS MADE PLAIN TO ILIESCU THAT UNRESOLVED PROBLEMS IN EITHER AREA WOULD HAMPER ROMANIA'S CHANCES OF JOINING NATO. THE PRESIDENT, AS HE OFTEN DOES ON SUCH OCCASIONS, DESCRIBED AND

DEFENDED THE ROMANIAN POSITION AT LENGTH. A/S HOLBROOKE OBSERVED THAT, AS IN OTHER COUNTRIES IN THE AREA WHICH HAD EXPERIENCED DIFFICULT AND COMPLEX PASTS, ROMANIA WOULD NEED TO CHOOSE WHETHER TO COME TO TERMS WITH ITS HISTORY AND MOVE AHEAD, OR ELSE BE DOMINATED BY IT. IF THE LATTER APPROACH WERE FOLLOWED, ONE WOULD INEVITABLY ARRIVE AT THE KINDS OF SITUATIONS REPRESENTED BY BOSNIA, NORTHERN IRELAND, AND LEBANON. IN RESPONSE TO A QUESTION FROM A/S HOLBROOKE, THE PRESIDENT EXPLAINED THAT MISGUIDED PATRIOTISM AND ANTI-RUSSIA SENTIMENTS, ESPECIALLY AMONG VETERANS' GROUPS, WERE LARGELY RESPONSIBLE FOR THE EFFORTS TO REHABILITATE MARSHAL ANTONESCU, EFFORTS WHICH HE HAD PUBLICLY OPPOSED AS DAMAGING TO ROMANIA'S INTERESTS.

5. IN THE LAST OF HIS FOUR OFFICIAL CALLS IN BUCHAREST, EUR ASSISTANT SECRETARY RICHARD HOLBROOKE WAS ACCOMPANIED BY AMBASSADOR MOSES, NSC DIRECTOR DAN FRIED, EUR/NCE DIRECTOR TERRY SNELL, EUR SPECIAL ASSISTANT ROSEMARIE PAULI-GIKAS, AND THE DCM (NOTETAKER). ON THE ROMANIAN SIDE WERE FOREIGN MINISTER TEODOR MELESCANU, PRESIDENTIAL FOREIGN POLICY ADVISOR AMBASSADOR TRAIAN CHELBELEU, AND MFA NORTH AMERICA DIRECTOR GHEORGHE DUTA.

THE TOP PRIORITY THE ECONOMY, ESPECIALLY
PRIVATIZATION AND FOREIGN PRIVATE INVESTMENT

6. A/S HOLBROOKE SAID HE WAS DISTURBED BY THE RELATIVELY SMALL AMOUNT OF U.S. PRIVATE INVESTMENT IN ROMANIA THUS FAR, UNDER USD 150 MILLION. THE OPPORTUNITIES AVAILABLE WERE NOT WIDELY KNOWN. MOREOVER, OTHER CENTRAL EUROPEAN COUNTRIES HAD BEEN ABLE TO CREATE MORE OPEN ECONOMIES, REDUCE BUREAUCRACY, AND PRIVATIZE MORE BROADLY. HOLBROOKE THOUGHT THAT THE WHITE HOUSE CONFERENCE ON TRADE AND INVESTMENT IN CENTRAL AND EASTERN EUROPE IN CLEVELAND IN JANUARY HAD BEEN A HELPFUL STEP IN OPENING THE WAY TO EXPANDED BILATERAL TRADE AND GREATER U.S. INVESTMENT IN ROMANIA. HE SAW THE FACT THAT PARLIAMENT HAD OVERSIGHT RESPONSIBILITY FOR THE PRIVATE OWNERSHIP FUND (POF) AND STATE OWNERSHIP FUND (SOF) AS FACTORS INHIBITING SPEEDIER PRIVATIZATION.

7. THE PRESIDENT RESPONDED THAT, UNLIKE ROMANIA, HUNGARY HAD STARTED LIBERALIZING ITS ECONOMY OVER 20 YEARS AGO. ALTHOUGH ROMANIA HAD BEEN THE FIRST WARSAW PACT COUNTRY TO OPEN ITS ECONOMIC DOORS TO THE WEST, IN THE 1960'S, IT LATER ADOPTED PERHAPS THE MOST RESTRICTIVE, HIGHLY-CENTRALIZED ECONOMIC SYSTEM IN THE REGION. THAT MADE GENUINE ECONOMIC REFORM MORE DIFFICULT TODAY -- THE LEGAL PROVISIONS, ECONOMIC STRUCTURES, AND ESPECIALLY MENTALITY ALL HAD TO CHANGE. MUCH HAD ALREADY BEEN DONE IN THE

FIRST TWO AREAS, BUT THE "OLD MENTALITY" FACTOR SLOWED THE RATE OF CHANGE. THE OTHER GREAT NEED WAS FOR FOREIGN CAPITAL -- NEITHER THE STATE NOR THE DOMESTIC PRIVATE SECTOR HAD THE CAPITAL NECESSARY TO TRANSFORM THE ECONOMY. NEVERTHELESS, THERE HAD BEEN PROGRESS SINCE 1989. FOR EXAMPLE, ABOUT HALF A MILLION NEW PRIVATE ECONOMIC ENTITIES HAD APPEARED,
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THE PRIVATE SECTOR NOW ACCOUNTED FOR ABOUT ONE-THIRD OF GDP, AND 82 PERCENT OF AGRICULTURAL LAND WAS NOW IN PRIVATE HANDS.

8. ANOTHER BENEFIT FROM THE RISE IN PRIVATE ECONOMIC ACTIVITY, ILIESCU SAID, WAS THE NUMEROUS NEW JOBS IT CREATED. OTHERWISE, ROMANIA'S CURRENT UNEMPLOYMENT (AROUND 11 PERCENT) WOULD HAVE BEEN MUCH WORSE. UNEMPLOYMENT AND INFLATION, VIRTUALLY UNKNOWN BEFORE 1990, HAD BEEN THE BIGGEST PSYCHOLOGICAL SHOCKS TO THE POPULATION SINCE THE REVOLUTION. PEOPLE HAD BEEN LARGELY SHIELDED FROM BOTH PHENOMENA DURING THE COMMUNIST PERIOD. SINCE THEN, THE ECONOMIC CIRCUMSTANCES OF MANY PEOPLE HAD BECOME WORSE, RATHER THAN BETTER, WHICH WAS VERY DIFFICULT FOR THEM TO ACCEPT. A PSYCHOLOGICAL ADJUSTMENT WAS REQUIRED, AND IT WAS STILL GOING ON.

9. WHILE ROMANIA'S ECONOMY PRESENTED SOME ELEMENTS OF MACROECONOMIC STABILITY, THE PRESIDENT SAID THAT NUMEROUS PROBLEMS PERSISTED. FOR EXAMPLE, MANY (STATE) ENTERPRISES HAD BECOME DECAPITALIZED DUE TO INFLATION AND OTHER FACTORS. INTER-ENTERPRISE ARREARS AND THE RESULTING FINANCIAL BLOCKAGES WERE TROUBLESOME. RESTRUCTURING WAS ONGOING BUT FAR FROM COMPLETE. RESTARTING THE ECONOMY AND PROMOTING ECONOMIC REFORM REMAINED "OUR BIGGEST PROBLEMS," HE SAID.

10. ILIESCU DESCRIBED THE MASS PRIVATIZATION BILL CURRENTLY BEFORE THE HOUSE OF DEPUTIES, WHICH HE HOPED WOULD BE PASSED SOON AND HELP MOVE PRIVATIZATION AHEAD. ALTHOUGH ABOUT 1,000 SMALL AND MEDIUM-SIZED STATE ENTERPRISES HAD BEEN PRIVATIZED ALREADY, THE LARGE ONES HAD NOT. IN THE ABSENCE OF LOCAL CAPITAL, FOREIGN INVESTMENT WOULD BE NEEDED TO ACHIEVE SUCCESSFUL PRIVATIZATION. THE GOVERNMENT WAS LOOKING FOR WAYS IN WHICH TO ENCOURAGE SUCH INVESTMENT. THE "FREE ZONE" BEING SET UP AT CONSTANTA, WHERE FOREIGN INVESTORS WOULD HAVE ALL THE NECESSARY FACILITIES PLUS VARIOUS TAX ADVANTAGES, WAS ONE SUCH MECHANISM. RECAPITULATING, THE PRESIDENT ASSERTED THAT THE RELATIONS BETWEEN PARLIAMENT AND THE POF AND SOF, BUREAUCRACY, AND

CORRUPTION WERE ALL PROBLEMS FOR THE ECONOMY.
HOWEVER, THE GREATEST BARRIER OF ALL WAS THE LACK OF
CAPITAL AND "FINANCIAL BLOCKAGES."

11. A/S HOLBROOKE ADVISED THAT TO ATTRACT FOREIGN
CAPITAL, ROMANIA SHOULD IDENTIFY AND COPY THE MOST
SUCCESSFUL, RELEVANT MODELS. WE WANTED TO ASSIST
WITH PRIVATIZATION, AN AREA IN WHICH ROMANIA LAGGED
BEHIND ITS CENTRAL EUROPEAN NEIGHBORS. AMBASSADOR
MOSES, WITH HIS VAST EXPERIENCE AS A CORPORATE
LAWYER, COULD BE VERY HELPFUL. THE ADMINISTRATION
WANTED TO "GRADUATE" ROMANIA TO MULTI-YEAR MFN
STATUS, WHICH ALSO WOULD HELP. HOWEVER, THERE WERE
SOME OBSTACLES, SOME QUESTIONS BEING ASKED ABOUT
ROMANIA IN CONGRESS AND ELSEWHERE IN WASHINGTON.

ILIESCU BELIEVES ROMANIA DISCRIMINATED AGAINST BY
THE U.S.

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12. PRESIDENT ILIESCU RESPONDED THAT HE DID NOT
UNDERSTAND THE EXISTENCE OF AN ANTI-ROMANIAN LOBBY
IN WASHINGTON. PEOPLE THERE PICKED ON ROMANIA BUT
DID NOT DO SO WITH PRESIDENT YELTSIN OR SOME OTHER
LEADERS IN REGION AND THEIR COUNTRIES WHICH WERE
LESS DEMOCRATIC THAN ROMANIA. HE CONSIDERED THAT
STRANGE AND UNFAIR.

MORE ON NATO ENLARGEMENT

13. STATING THAT HE HAD DISCUSSED NATO ENLARGEMENT
EXTENSIVELY WITH FOREIGN MINISTER MELESCANU EARLIER,
A/S HOLBROOKE SAID HE WISHED TO UNDERSCORE THE FACT
THAT EACH NEW MEMBER OF THE ALLIANCE WOULD HAVE TO
BE APPROVED INDIVIDUALLY BY A TWO-THIRDS VOTE OF THE
U.S. SENATE. THUS THE NATO ALLIANCE NOT ONLY
INVOLVED COLLECTIVE GUARANTEES BUT ALSO BILATERAL
TREATIES BETWEEN EACH CURRENT MEMBER AND CANDIDATE
FOR MEMBERSHIP. SINCE 1949, ONLY FOUR NEW MEMBERS
HAD BEEN ADMITTED -- GREECE, TURKEY, GERMANY, AND
SPAIN. EVEN THOSE WHO FAVORED NATO ENLARGEMENT IN
PRINCIPLE WOULD LOOK VERY CLOSELY AT EACH NEW STATE
PROPOSED FOR MEMBERSHIP. THAT WAS ONE REASON WHY IT
WAS SO IMPORTANT FOR ROMANIA AND HUNGARY TO REACH A
SOLID BILATERAL UNDERSTANDING.

HUNGARIAN-ROMANIAN BILATERAL RELATIONS ON COURSE
~~C O N F I D E N T I A L~~ SECTION 03 OF 05 BUCHAREST 002218

E.O. 12356: DECL: OADR
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14. THE PRESIDENT SAID THAT RECENT TALKS BETWEEN THE GOR AND HUNGARY HAD BEEN VERY POSITIVE. THE TWO COUNTRIES WERE INEXTRICABLY LINKED BY HISTORY AND CULTURE. WHAT THE OUTSIDE WORLD VIEWED AS THE PROBLEM BETWEEN THEM WAS IN FACT SOMETHING ARTIFICIAL PROMOTED BY THE HUNGARIAN DIASPORA, SOME EXTREME NATIONALISTS IN HUNGARY, AND ELEMENTS OF ROMANIA'S MAGYAR DEMOCRATIC UNION (UDMR). PROPAGANDA WAS ALL THAT KEPT IT ALIVE. IN REALITY, ROMANIA HAD BETTER RELATIONS AND MORE EXTENSIVE TRADE WITH HUNGARY THAN WITH ANY OF ITS OTHER NEIGHBORS. ACCORDING TO ILIESCU, ROMANIA WOULD NEVER ACCEPT THE IDEA, PROPAGATED BY SOME, THAT THE COMPLAINTS OF THE ETHNIC HUNGARIAN MINORITY IN TRANSYLVANIA CONSTITUTED THE KEY SECURITY PROBLEM IN EUROPE. WHILE THE EQUIVALENT OF ONE-THIRD OF HUNGARY'S CURRENT POPULATION CONSISTED OF ETHNIC HUNGARIANS LIVING ABROAD, THERE WERE EVEN MORE ETHNIC ROMANIANS OUTSIDE ROMANIA'S BORDERS. CERTAIN POLITICIANS IN HUNGARY PROMOTED THE CONCEPT THAT THE TREATMENT OF HUNGARIAN MINORITIES OUTSIDE THE COUNTRY'S BORDERS WAS A PROBLEM OF CENTRAL IMPORTANCE TO EUROPE. HOWEVER, THEY WERE UNINTERESTED IN THE FATE OF OTHER SUCH EUROPEAN MINORITIES LIVING AWAY FROM THEIR "HOME" COUNTRIES. THE APPROACH OF THOSE HUNGARIAN POLITICIANS HARKED BACK TO THE "FIFTH COLUMN" TACTICS OF NAZI GERMANY IN SUCH AREAS AS THE SUDETENLAND. THAT WAS UNACCEPTABLE, AS WAS THE UDMR-PROPOSED ETHNIC AUTONOMY FOR MINORITIES. THAT WAS A POLICY WHICH RAN COUNTER TO THE MAIN TRENDS IN CONTEMPORARY EUROPE. IT WOULD LEAD TO SEGREGATION AND "BANTUSTANIZATION" AT A TIME WHEN EUROPE WAS MOVING TOWARD GREATER POLITICAL AND SOCIAL INTEGRATION. HOW WOULD THE U.S. REACT, ILIESCU ASKED, TO DEMANDS BY HISPANICS, FOR EXAMPLE, FOR ETHNIC AUTONOMY AND SELF-RULE WITHIN OUR BORDERS?

15. A/S HOLBROOKE RESPONDED THAT THE U.S. LONG HAD OPPOSED THE CONCEPT OF COLLECTIVE RIGHTS. AS A COUNTRY COMPOSED OF MANY DIFFERENT MINORITIES, WE STRESSED STRICT OBSERVANCE OF INDIVIDUAL CIVIL AND HUMAN RIGHTS AS THE BEST WAY TO ENSURE THAT THE INTERESTS OF ALL MINORITIES WERE WELL PROTECTED. HOWEVER, IN THE LAST TWENTY YEARS OR SO WE HAD CREATED A SYSTEM TO PROVIDE CERTAIN GROUPS ADDITIONAL PROTECTION BEYOND THAT THEY RECEIVED THROUGH THE OBSERVANCE OF THEIR INDIVIDUAL RIGHTS, BUT WITHOUT GRANTING THEM ADDITIONAL RIGHTS. DEALING FAIRLY AND EFFECTIVELY WITH DISADVANTAGED MINORITIES HAD POSED HUGE PROBLEMS FOR AMERICAN SOCIETY, AND WE DID NOT CLAIM TO HAVE FOUND ALL THE ANSWERS.

16. A/S HOLBROOKE SAID HE WELCOMED THE PRESIDENT'S EXPLANATION OF ROMANIA'S POSITION, NOTING THAT HE WAS SURE TO HEAR A DIFFERENT PERSPECTIVE IN

BUDAPEST, WHERE HE WOULD BE GOING SHORTLY.

 CONDITIONS OF MINORITIES IN ROMANIA AND HUNGARY
 COMPARED

17. THE PRESIDENT SUGGESTED THAT A COMPARISON BE MADE BETWEEN THE OBSERVANCE OF ETHNIC MINORITY RIGHTS IN ROMANIA AND HUNGARY. IN ROMANIA, ALL FIFTEEN RECOGNIZED MINORITIES WERE GUARANTEED ONE MEMBER OF PARLIAMENT EACH TO REPRESENT THEIR INTERESTS IN THE LEGISLATURE. ROMANIA'S ETHNIC HUNGARIAN MINORITY NOT ONLY HAD ITS OWN POLITICAL PARTY AND FULL REPRESENTATION IN PARLIAMENT, IT ALSO HAD STATE-FUNDED SCHOOLS, HIGHER EDUCATION, THEATERS, BOOKS, RADIO, TELEVISION, NEWSPAPERS, ETC. IN THE HUNGARIAN LANGUAGE. IN HUNGARY, ON THE OTHER HAND, THERE HAD BEEN ABOUT 200,000 ETHNIC ROMANIANS IN 1918, 160,000 IN 1946, AND 10,000-20,000 TODAY. THERE WAS ONLY ONE "ROMANIAN" SCHOOL IN THE WHOLE COUNTRY, AND THE ONLY COURSES IT OFFERED IN ROMANIAN WERE IN THE ROMANIAN LANGUAGE ITSELF -- EVERYTHING ELSE WAS TAUGHT IN HUNGARIAN. IT WAS NOT FOR ROMANIA TO SAY WHETHER OR NOT THE HUNGARIAN APPROACH WAS THE CORRECT ONE FOR THAT COUNTRY. HOWEVER, ILIESCU FOUND IT DIFFICULT TO ACCEPT THE DEMANDS OF HUNGARIANS TO ACT DIFFERENTLY IN ROMANIA FROM WHAT THEY WERE DOING IN THEIR OWN COUNTRY.

 ROMANIAN-HUNGARIAN TREATY READY IN MARCH?

18. A/S HOLBROOKE ASKED WHETHER OR NOT THE
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BILATERAL TREATY COULD BE COMPLETED BY MARCH 21, IN TIME FOR THE EUROPEAN STABILITY PACT CONFERENCE. PRESIDENT ILIESCU REPLIED THAT THERE WAS NO IMPEDIMENT TO THAT OUTCOME FROM THE ROMANIAN SIDE. A NE!FACTOR IN THE EQUATION WAS THE SIGNING THIS MONTH BY ROMANIA OF THE COUNCIL OF EUROPE FRAMEWORK CONVENTION FOR THE PROTECTION OF MINORITIES. THAT PUT ROMANIAN COMMITMENTS ON THE TREATMENT OF NATIONAL MINORITIES (OR, AS THE ROMANIANS PREFER TO SAY, "PERSONS BELONGING TO ETHNIC MINORITIES") AT THE HIGHEST EUROPEAN LEVEL. THE TWO ISSUES REMAINING TO BE RESOLVED IN THE TREATY WERE THE GUARANTEEING OF EXISTING INTERNATIONAL BORDERS AND THE PROTECTION OF ETHNIC MINORITIES. FOREIGN MINISTER MELESCANU INTERJECTED THAT, ON THE FORMER, THERE WAS AGREEMENT IN PRINCIPLE AND ROMANIA HAD

PROPOSED TREATY LANGUAGE, BUT HUNGARY HAD NOT YET INDICATED FINAL ACCEPTANCE.

UNRESOLVED BORDER PROBLEMS WOULD BLOCK ENTRY INTO NATO

19. A/S HOLBROOKE OBSERVED THAT THIS WAS AN IMPORTANT ISSUE WHERE ROMANIA'S (AND HUNGARY'S) BID FOR NATO MEMBERSHIP WAS CONCERNED. THE U.S. SENATE WOULD NOT RATIFY ANY AGREEMENT TO BRING IN A NEW NATO MEMBER WHICH HAD UNRESOLVED BORDER PROBLEMS WITH A NEIGHBOR. A/S HOLBROOKE ASSURED ILIESCU THAT HE WOULD BE SAYING EXACTLY THE SAME THING TO PRIME MINISTER HORN IN BUDAPEST. NSC DIRECTOR FRIED POINTED OUT THAT PRESIDENT CLINTON HAD STATED IN HIS CLEVELAND SPEECH IN JANUARY THAT COUNTRIES WITH CLOSED ECONOMIES WOULD NOT BE CONSIDERED FOR NATO MEMBERSHIP. NOW WAS THE TIME TO RESOLVE THOSE PROBLEMS, WELL IN ADVANCE.

BORDERS AND MINORITIES REVISITED

20. RETURNING TO THE QUESTION OF BORDERS AND MINORITY ISSUES, ILIESCU ASSERTED THAT ROMANIA HAD NO PROBLEMS IN EITHER AREA. IT WAS A MEMBER OF OSCE, THE COUNCIL OF EUROPE, AND OTHER PAN-EUROPEAN ORGANIZATIONS AND HAD SIGNED ALL THE RELEVANT EUROPEAN TREATIES AND CONVENTIONS. IN THE ROMANIAN CONSTITUTION, IT WAS STATED EXPLICITLY THAT THE COUNTRY'S INTERNATIONAL LEGAL OBLIGATIONS TOOK PRECEDENCE OVER DOMESTIC LAW. HE THEN LAUNCHED INTO A BRIEF HISTORY OF THE RISE AND FALL OF HUNGARIAN DOMINANCE OF TRANSYLVANIA, GIVING HIS EXPLANATION OF WHY IT WAS SO DIFFICULT FOR HUNGARIANS TO ACCEPT THE NEW REALITIES EMERGING IN THE REGION OUT OF WORLD WAR I AND THE CONCEPT OF NATIONAL SELF-DETERMINATION.

WILL THE REGION COME TO TERMS WITH ITS PAST OR BE DOMINATED BY IT?

21. OBSERVING THAT AS AN AMATEUR HISTORIAN HE KNEW SOMETHING OF THE REGION'S PAST, A/S HOLBROOKE SAID THAT HE HEARD ABOUT THAT PAST WHEREVER HE TRAVELED IN THE AREA. IT WAS A REGION OBSESSED WITH ITS OWN HISTORY. HOWEVER, THE ISSUE TODAY WAS WHETHER THE REGION WOULD FIND WAYS TO COME TO TERMS WITH ITS DIFFICULT PAST AND MOVE AHEAD OR ALLOW ITSELF TO BE DOMINATED BY IT. IF THE LATTER PATH WERE CHOSEN AND HISTORICAL GRIEVANCES HAD TO BE "RESOLVED," RATHER THAN WORKED AROUND, ONE WOULD INEVITABLY ARRIVE AT THE KINDS OF SITUATIONS REPRESENTED BY BOSNIA,

NORTHERN IRELAND, AND LEBANON. AT LEAST IN THE CASE OF NORTHERN IRELAND SOME REAL PROGRESS HAD BEEN MADE. IRISH LEADERS HAD TOLD HIM THAT IRELAND'S MEMBERSHIP IN THE EU HAD PLAYED AN IMPORTANT ROLE IN THAT PROCESS. THAT WAS ONE OF THE REASONS WHY PRESIDENT CLINTON WANTED EUROPEAN INSTITUTIONS TO MOVE EASTWARD. BROADER MEMBERSHIP IN SUCH INSTITUTIONS COULD CONTRIBUTE TO THE RESOLUTION OF AGE-OLD PROBLEMS, OR AT LEAST HELP KEEP THEM IN CHECK.

MARSHAL ANTONESCU REHABILITATION CALLED AN ANTI-
RUSSIA REACTION

22. A/S HOLBROOKE SAID HE WOULD BE SURE TO HEAR IN BUDAPEST ABOUT THE ANTI-HUNGARIAN RHETORIC OF CLUJ MAYOR GHEORGHE FUNAR AND EFFORTS TO REHABILITATE WARTIME DICTATOR MARSHAL ANTONESCU. IT WAS TIME TO
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MOVE BEYOND THE TENDENCIES WHICH BOTH REPRESENTED. A/S HOLBROOKE WANTED TO KNOW WHAT WAS THE EXPLANATION FOR THE ANTONESCU MONUMENTS. HOUSE OF DEPUTIES PRESIDENT ADRIAN NASTASE HAD TOLD HIM EARLIER THAT THERE WERE NO LEGAL GROUNDS FOR HALTING SUCH ACTIVITY. HOWEVER, PEOPLE IN THE U.S. BELIEVED IT WAS SOMEHOW BASED ON NOSTALGIA FOR THE NAZI PERIOD. HOW DID THE PRESIDENT EXPLAIN THIS PHENOMENON?

23. ILIESCU RESPONDED THAT SOME PRIVATE VETERANS' GROUPS AND OTHERS RETAINED A ROMANTIC VIEW OF ANTONESCU, BASED ON HIS MILITARY PROWESS AND THEIR OWN ANTI-SOVIET, ANTI-RUSSIAN PREDILECTIONS. HE HAD TOLD THESE PEOPLE THAT THEY WERE WRONG AND THAT IF ROMANIA WERE TO FOLLOW THEIR PATH, IT WOULD EVENTUALLY RISK ADDING TRANSYLVANIA TO THE ALREADY LOST PROVINCES OF BESSARABIA AND NORTHERN BUKOVINA. ANTONESCU UNDOUBTEDLY WOULD REMAIN A CONTROVERSIAL FIGURE IN ROMANIAN HISTORY. SOME CRITICIZED ILIESCU FOR BEING INSUFFICIENTLY ANTI-RUSSIAN BY VIRTUE OF HIS STAND ON ANTONESCU. SUCH PEOPLE SIMPLY DID NOT UNDERSTAND -- IT WAS A PROBLEM OF MENTALITY. BE THAT AS IT MAY, IT WAS A FACT THAT ANTONESCU HAD RESISTED "THE FINAL SOLUTION" AFTER 1942, AND THAT THOUSANDS OF JEWISH LIVES HAD BEEN SAVED AS A CONSEQUENCE.

24. A/S HOLBROOKE SAID HE APPRECIATED THE PRESIDENT'S PUBLIC STAND AGAINST EFFORTS TO REHABILITATE ANTONESCU. HE KNEW THAT AMBASSADOR

MOSES HAD SPOKEN WITH ILIESCU RECENTLY ABOUT SEVERAL ISSUES OF BILATERAL CONCERN (REFTEL) AND THEREFORE WOULD NOT COVER THE SAME GROUND AGAIN. IN SUMMATION, HE SAID THAT ECONOMIC ISSUES SHOULD HAVE THE HIGHEST PRIORITY NOW, WITH SECURITY ISSUES (SUCH AS NATO MEMBERSHIP) TO FOLLOW LATER. FOR HIS PART, A/S HOLBROOKE WAS PARTICULARLY IMPRESSED BY THE NEED TO PROMOTE EXPANDED U.S. PRIVATE INVESTMENT IN ROMANIA TO ASSIST IN THE CRUCIAL PROCESS OF PRIVATIZATION. WE WOULD DO EVERYTHING WE COULD TO BE SUPPORTIVE IN THAT AREA.

25. COMMENT: A/S HOLBROOKE'S STRESS OF ECONOMIC ISSUES, ESPECIALLY PRIVATIZATION AND THE NEED FOR FOREIGN PRIVATE INVESTMENT, WAS TIMELY. ALSO VERY WELCOME WERE HIS EMPHASIS ON THE NON-DISCRIMINATORY NATURE OF NATO EXPANSION AND OUR GOAL OF A EUROPE WHERE INSTITUTIONS AND THE GEOPOLITICAL MAP COINCIDE. ON THE OTHER HAND, HIS ENTIRELY NECESSARY PROBING ON ROMANIAN-HUNGARIAN BILATERAL RELATIONS AND MINORITY ISSUES WITHIN ROMANIA EVOKED THE USUAL LONGWINDED, DEFENSIVE, AND EVEN PETULANT RESPONSE THAT PRESIDENT ILIESCU CAN BE EXPECTED TO DELIVER ON SUCH OCCASIONS. BY ENGAGING IN VERBAL OVERKILL ON THESE ISSUES, THE PRESIDENT TENDS TO DETRACT FROM THE GENERALLY POSITIVE IMPRESSION HE MAKES WHEN DISCUSSING MOST OTHER MATTERS. ALL IN ALL, HOWEVER, A/S HOLBROOKE'S PRESENTATION, ASSURANCES, AND INDEED EVEN HIS PRESENCE IN BUCHAREST CONTRIBUTED TO ADVANCING THE U.S. AGENDA WITH ILIESCU AND THE GOR.

26. THIS CABLE HAS BEEN CLEARED BY A/S HOLBROOKE.
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